

Author: Michael Baugher at -MMS-DENVER-85-1
te: 05/15/97 10:23 AM
riority: Normal
TO: Fred Smith <fsmith@gwsmtplle.com> at -smtp
BCC: David Guzy
Subject: Re: MMS News Release 4-22-97 Gas Valuation -Reply
----- Message Contents -----

Mr. Smith:

It appears that we agree that this is an important matter that is not as simple or close to resolution as we would hope. I appreciate your concern and will pass along your suggestion to the appropriate, "action" offices. Please don't miss the opportunity to provide official comments for the record by contacting Dave Guzy at David_Guzy@mms.gov or (303)231-3432. Your continued interest and support for MMS activities are appreciated.

Sincerely,
Michael Baugher

Reply Separator

Subject: MMS News Release 4-22-97 Gas Valuation -Reply
Author: Fred Smith <fsmith@gwsmtplle.com> at -smtp
Date: 05/15/97 08:34 AM

Mr. Baugher;

Thank you for your response to my inquiry. I can see how the Norway methodology may work in the Norwegian production profile where there are many fewer payors with large production volumes etc. In the U.S. thousands of payors and payees of royalties, it is imperative to be able to settle a royalty burden as soon as possible after production, one time, not several months down the road by adjusting to another price.

I would suggest that if simplicity and certainty are the goals, that a system similar to the State of Louisiana's gas severance tax system be studied. This system is a set price per MCF adjusted annually by reference to a formula that takes in to account the market value of gas in Louisiana over the last year. The new rate makes budgeting revenue streams much more simply.

I thank you again for your message and I hope some reasonable and workable solution to valuation will be found.

Yours truly,